

SECRET

17 February 1982

MEMORANDUM FOR: Director of Central Intelligence
FROM : SA/IA
SUBJECT : Material On Libyan Activities Around the World

1. Despite the cancellation of tomorrow's NSC meeting on Libya, I thought you might want to see the package of materials assembled per your request. You had asked for a roundup of Libyan activities worldwide, the status of Libyan opposition organizations, Some of this material you saw in the partial package I gave you on Friday.

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2. I have now put together the full package, which includes a memo from Charlie Waterman on where the issue of sanctions rests at the moment. Charlie is currently attending a Task Force meeting and should know more tomorrow about where the various agencies are likely to come out.

3. In response to your memo to Bob Gates on Friday, Helene Boatner's people put together some talking points on Libyan worldwide activity. I believe this effort should provide you a good basis for putting your own thoughts together. In addition, you have a considerable array of backup material for those talking points. Finally, you have some background information on the deployment of Soviet ASW aircraft to Libya.

4. Charlie Waterman will be the action officer for the NSC meeting, which is likely to be scheduled for next week, unless you decide that you would prefer someone else. Bob Ames took this project for action last week during Charlie's absence, but he is now gone this week. If you have a chance to review this package before you leave on Friday, we can have the DDI and DDO people follow up with whatever additional information you might wish to have.

cc: Executive Director
Executive Secretary



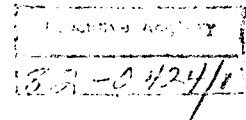
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12 February 1982

MEMORANDUM FOR: Deputy Director for Intelligence
FROM: Director of Central Intelligence
SUBJECT: Draft SNIE 36.4-82, SNIE 78-82, NIE 30/70-82

1. I have read the Key Judgments on Sudan, Lebanon and the Indian Ocean Islands which will come before the NFIB next week. If DI has suggestions for any improvements let me have them.

2. I imagine the NSC will get back to Libya and Poland next week. On the Libyan issue I thought it was interesting that Weinberger suggests rewarding Oman for it's helpfulness by buying some of their oil. With a soft oil market there is no reason we should not be doing the same thing for other countries, i.e. Nigeria, by diverting our Libyan oil purchases. See if you can get me a fully rounded picture of Libya's mischief-making around the world. Recent reports indicate funding a political campaign in St. Lucia. At the staff meeting yesterday DDS&T had an impressive accumulation of sophisticated weapons that were [redacted]

[redacted] I saw a report recently about Libyan trained guerrillas working in Eritrea in support of the Ethiopian drive there.

3. I appreciate your memorandum asking for a rounded picture of the pipeline issue. The whole question of Eastern European-Soviet economic relationship and tightening of western credits for Eastern European countries as discussed [redacted] is part of the picture, as well as the shaky Romanian financial condition and possible impact on Yugoslavia. Also, see today's story on the business page of The New York Times.

C
William J. Casey

Attachment

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THE NEW YORK TIMES - Friday, February 12, 1982

Cabinet Divided on Soviet Gas Line

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, Feb. 11 — The Reagan Cabinet is sharply divided over how much pressure to apply on European allies — and American technology suppliers — to try to block construction of a \$10 billion pipeline to transport Siberian natural gas 3,000 miles to Western Europe.

Officials who are following the arguments say that Secretary of State Alexander M. Haig Jr. and Defense Secretary Caspar W. Weinberger are at opposite ends with Commerce Sec-

retary Malcolm Baldrige taking a middle position.

The contest, which resembles an earlier debate on whether to force Poland into default on its Western bank credits, is being fought in the National Security Council and presents William P. Clark, the new national security adviser, with his first major test.

Pressure on Moscow Urged

Taking a hard line on the default and now the pipeline issue, the Defense Department has argued, according to Administration officials, that the United States should make a strong effort to squeeze Moscow financially, cutting it

off, if possible, from Western credit lines.

A joint Pentagon-Central Intelligence Agency calculation places Soviet hard-currency earnings at \$8 billion a year once the line is completed and the gas starts flowing to Western European terminal points.

This will "assist the Soviet Union in purchasing much-needed Western commodities and sophisticated technologies to support its industrial base and military machine," according to recent Congressional testimony by Stephen D. Bryen, Deputy Assistant

Secretary of Defense for International Economic, Trade and Security Policy.

Administration officials said that Secretary of State Haig shared Defense Secretary Weinberger's concern over both the financial gains the Russians would obtain from the line and the energy dependency on the Soviet Union that would be built up in Western Europe.

While agreeing that the pipeline might make the European allies vulnerable to Soviet pressures, the State Department contends, according to one high official, that pressures on the Europeans to cancel the pipeline may fracture the alliance. This is because the Europeans have already given every indication that they want the line built, both to diversify their energy supplies and to spur employment and general economic activity.

Playing Into Soviet Hands

The State Department believes that a major confrontation with Europe would play into Soviet hands by focusing attention on Europe's unemployment problems and diverting attention from the Soviet involvement in the imposition of martial law in Poland.

The United States leverage is its technology. European companies would provide the large-diameter pipe, but the turbines needed to pump the gas through the line depend on American parts and technology.

The General Electric Company had a \$175 million contract to supply 125 component sets consisting of the rotating parts (rotors and buckets) for the turbines.

G.E. was to supply partners in Europe — A.E.G.-Telefunken in West Germany; John Brown in Britain and Nuovo Pignone in Italy — with the component sets from which they would construct the turbines that would go into giant compressors.

G.E. had licensed a fourth compressor builder, Alsthom Atlantique of France, to manufacture the rotating parts with the G.E. design.

Last Dec. 29, in reaction to events in Poland, President Reagan announced expanded controls on the export of oil and gas equipment and technology to Moscow. G.E.'s contract was suspended. But it had already shipped 22 of the component sets to the European partners.

The issue now is whether to try to block export of the compressors made with the G.E. equipment or skills to the Soviet Union.

EXECUTIVE SECRETARIAT**Routing Slip**

TO:		ACTION	INFO	DATE	INITIAL
1	DCI		X		
	DDCI		X		
3	EXDIR		X		
4	D/ICS				
5	DDI	X			
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC		X		
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA		X		
18	AO/DCI				
19	C/IPD/OIS				
20	ES		X		
21					
22					
SUSPENSE		19 February Date			

Remarks:

Please respond to para 1 ASAP. Please
respond to para 2 by 19 February.

Executive Secretary
12 Feb 72

Date